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FISCAL IMPACT STATEMENT

LS 6311
BILL NUMBER: HB 1169

NOTE PREPARED: Dec 7, 2008
BILL AMENDED:

SUBJECT: Ownership Date for Property Tax Benefits.

FIRST AUTHOR: Rep. Tyler
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
DEDICATED
FEDERAL

IMPACT: Local

Summary of Legislation: For 2007 property taxes payable in 2008, this bill provides that an individual may qualify for the homestead credit and the standard deduction regardless of whether the individual owned the homestead or was buying the homestead under a contract on March 1, 2007.

Effective Date: January 1, 2007 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, a taxpayer is eligible for a homestead credit and standard deduction against taxes payable in 2008 if (1) the taxpayer owned the property on March 1, 2007, (2) used it as their primary residence and (3) claimed the homestead credit in a previous year.

For taxes payable in 2008, this bill would eliminate the March 1, 2007, ownership requirement. If all other requirements have been met, then taxpayers who purchased their homesteads after March 1, 2007, would qualify for the 2008 credit and deduction. If the 2008 tax has already been paid without application of the deduction or credits, the county auditor would issue a refund for the difference. The number of homeowners that would be affected is not known.

The standard deduction for taxes payable in 2008 equals $45,000, limited to 50% of the homestead's gross assessed value. The basic state homestead credit for 2008 equals 20% of the net tax (after PTRC) for qualifying funds. In addition, a total of $870 M was appropriated for supplemental homestead credits in 2008. The supplemental credit appropriations were made in two parts, one for $250 M during the 2007 session and the other for $620 M during the 2008 session. Both of these appropriation amounts were allocated to the counties and a payment was made by the state for the exact amount of each county's allocation. The DLGF supplied the credit percentage to apply to tax bills for the $250 M portion. Each county auditor was tasked with calculating the credit percentage to apply to tax bills for the $620 M portion.

In addition to the state homestead credits, 10 counties offered traditional COIT-funded homestead credits, at least 43 counties offered CEDIT-funded homestead credits (for inventory mitigation), and 5 counties offered the newer LOIT-funded homestead credits.

Recalculating the taxes on a homestead that would be eligible for the deduction and credits under this bill would (1) reduce the net assessed value and gross tax due, (2) reduce the state PTRC amount, (3) increase the state and local homestead credits, and (4) reduce the net tax bill.

The excess PTRC amount could be used to fund a portion of the additional state homestead credits. However, the state would not pay any additional homestead credits to the county. So, the additional homestead credits granted the taxpayers would reduce property tax collections for the taxing units that serve the affected homesteads.

Locally funded homestead credits could be paid from any balance that the county might have from local income tax collections if the collections exceeded the credits already paid. If there is no balance, then the local credits granted the affected homesteads would also reduce local property tax collections.

Finally, the part of the tax bill reduction that is caused by the application of the standard deduction would also cause a reduction of local tax collections. Normally, the application of a deduction causes a tax shift through a higher tax rate. However, if the deduction is applied after tax rates are set, then the rate cannot be increased and no shift occurs.

State Agencies Affected: Auditor of State.

Local Agencies Affected: County auditors; Local civil taxing units and school corporations.

Information Sources:

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